

STATE OF INDIANA

Public Accounting Law

Enacted by the

Sixty-Sixth General Assembly

1909

Public Accounting Law.

CHAPTER 55.

AN ACT concerning public accounting and reporting and supervision thereof, and providing penalties for violation of this act.

[S. 2. Approved March 4, 1909.]

Public Accounting—Appointments by Governor.

SECTION 1. *Be it enacted by the general assembly of the State of Indiana,* That there is hereby created and established a department of inspection and supervision of public offices. The principal officer of said department shall be known as state examiner, shall be a skillful accountant and well versed in public accounting, and shall receive an annual salary of four thousand dollars, and he shall be appointed by the governor. There shall also be appointed by the governor two deputy examiners who shall have like qualifications as the state examiner, and who shall be of different political parties, and each deputy examiner shall receive an annual salary of three thousand dollars, and such deputy examiners shall be subordinate to the state examiner. It shall be the duty of the governor within sixty days after the taking effect of this act, to appoint such state examiner and to appoint two such deputy examiners. One of such deputy examiners shall be appointed for two years and the other for four years, and their successors shall be appointed for four years. The deputy examiners shall be subject to removal by the governor upon executive order entered in writing and showing cause therefor. The clerk of said department shall be appointed by the state examiner, and shall be responsible to the state examiner, and shall receive an annual salary of two thousand dollars. Said salaries provided by this section shall be paid monthly out of any moneys of the state not otherwise appropriated. The department of inspection and supervision of public offices shall be provided with suitable quarters in the state house.

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In 1881**State Board of Accounts—Powers—Duties.**

SEC. 2. The governor, the auditor of state and state examiner shall constitute the state board of accounts and as such shall formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this act, which shall be uniform for every public office and every public account of the same class, and which shall exhibit true accounts and detailed statements of funds collected, received and expended for or on account of the public for any and every purpose whatever, and by all public officers, employes or other persons, and which shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; and shall show all sources of public income and the amounts due and received from each source, and shall show all receipts, vouchers and other documents kept, or that may be required to be kept, necessary to separate to itself and prove the validity of every transaction; and they shall formulate all statements and reports made or required to be made for the internal administration of the office to which they pertain, and all reports published or that may be required to be made or published for filing in the office of state examiner or for the information of the people, regarding any and all details of the financial administration of public affairs; and they shall from time to time make and enforce such changes in the system and forms of accounting and reporting as shall by them be deemed wise or as may become necessary in order to conform to law.

Separate Accounts.

SEC. 3. Separate accounts shall be kept for every appropriation or fund made by or accruing to any municipality, showing date and manner of each payment made out of the funds provided for [by] such appropriation, the name, address and vocation of each person, firm, organization, corporation or association to whom paid, and for what paid, such name, vocation and address to be embodied in and verified in all claims by law required to be filed for payment. Separate accounts shall be kept for each department, undertaking, institution and public service industry. Accounts of public service industries shall show the true

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and entire cost of the ownership and operation thereof, the amount collected annually by general or special taxation for service rendered to the public and the amount and character of the service rendered therefor, and the amount collected annually from private users, if any, for service rendered to them, and the amount and character of the service rendered therefor.

State Examiner—Reports to—Contents.

SEC. 4. The state examiner shall require from every municipality and every public institution, financial reports covering the full period of each fiscal year, said reports to be made respectively by the county auditor, township trustee, city clerk, town clerk and secretary of the board of school trustees or commissioners for their respective municipalities, and by the superintendents of public institutions, in accordance with the forms and methods herein provided for, which shall be uniform for all accounts of the same class, which said reports shall be prepared, verified and filed with the state examiner within thirty days after the close of each fiscal year, which shall be December 31st of each year in all cases in which the fiscal year is not otherwise fixed by law. Such reports shall contain an accurate statement, in summarized form, of all collections made by or receipts received by such municipalities and institutions from all sources, all accounts due the public treasury but not collected and of all expenditures for every purpose and by what authority authorized, and also:

(a) A statement of all costs of ownership and operation and of all income of every public service industry owned by any municipality.

(b) A statement of the entire public debt of each municipality and such other and further or more specific information in relation to the cost of any branch of the municipal service or any improvement therein as may be required by the state examiner.

(c) A statement of all revenues received from the payments of liquor licenses and in addition thereto an itemized statement of all amounts remaining unpaid upon any liquor licenses theretofore granted or then in force.

(d) A statement showing the amount of the common school funds in the custody of each county, including an

itemized statement showing the investment of all such funds, of delinquent school fund mortgages, and of lands forfeited for non-payment of school fund mortgages.

Examiner—Comparative Statistics.

SEC. 5. The substance of the reports required by the provisions of this act shall be arranged by the state examiner in such form as shall indicate the comparative receipts of the various sources of revenue and the comparative costs of the several branches of government in the specified municipalities and shall be published in an annual statement of comparative statistics, which shall be issued for each class of municipalities at the expense of the state as a public document, and shall be submitted by the state examiner annually to the governor and to the legislature at each regular session. Copies thereof shall also be furnished by him to each municipality named therein.

Forms for Reports—Blanks, Etc.

SEC. 6. The governor, auditor of state and state examiner shall formulate, prescribe and approve the forms for reports herein required to be made, and the state examiner shall annually furnish to the officers required to make reports by the provisions of this act, at least ninety days before the time such reports are required to be filed with him, such printed blanks and forms on which shall be indicated the information required, together with suitable printed instructions for filling out the same. In formulating, prescribing and installing a uniform system of accounting and reporting, the governor, auditor of state and state examiner may employ necessary clerical assistants and one or more expert assistants at a reasonable compensation to be by them determined, and such compensation shall be paid out of any moneys not otherwise appropriated, upon vouchers certified as to correctness by the state examiner, and complying in all respects with the law relating to disbursements by the state government.

Assistants—Field Examiners.

SEC. 7. The state examiner shall appoint assistants not exceeding such number as in the judgment of the governor, the auditor and the state examiner may be required to ad-

minister the provisions of this act. Such assistants shall be known as "field examiners" and shall at all times be subject to the order and direction of the state examiner, and shall be charged with the duty of inspecting and examining accounts of such municipalities. Such field examiners shall be paid as provided in section 14 of this act, the sum of ten dollars for each day employed, and one railroad fare each way between their respective homes and the place of examination. No field examiner shall receive more than one per diem for work performed in any one day, and no other allowance for expenses shall be made to such field examiners.

Competitive Examinations.

SEC. 8. Such field examiners shall be appointed from applicants who shall have successfully passed an open, competitive examination for testing their fitness for appointment. Such examinations shall be made at stated periods by the chief examiner and deputy examiners after due announcement in the public press, and shall be practical in their character, and as far as may be shall relate to those matters which will fairly test the relative capacity and fitness of the persons examined to discharge the duties of the office, and all appointments of field examiners shall be made solely upon the ground of fitness and without regard to the political affiliation of the appointee, excepting that no more than one-half of the number of field examiners employed at any one time shall belong to any one political party. The state board of accounts is empowered to make and establish, and from time to time alter and amend by-laws, rules and regulations for the proper enforcement of the provisions of this section.

State Examiner—Duties—Powers.

SEC. 9. It shall be the duty of the state examiner, and he is given full power to examine personally or through the deputy examiners and field examiners, all accounts and all financial affairs of every public office and officer and of every public institution, including all state offices and state institutions, and shall make such examination at least once each year. On every such examination inquiry shall be made as to the financial condition and resources of each municipality or institution, whether the laws of the state and

the requirements of the department of inspection and supervision of public offices have been complied with, and into the methods and accuracy of the accounts and reports of the office examined. Such examinations shall be made without notice. The state examiner, deputy examiners or any field examiner when engaged in making any examination as provided in this act, or when engaged in any official duty devolved upon them as such, shall have the right to enter into any state, county, city, or township or other public office or offices in this state, or any public institution, and examine any books, papers or documents contained therein or belonging thereto for the purpose of making such examination, and shall have access, in the presence of the custodian thereof or his deputy, to the cash drawers and cash in the custody of such officer, and they shall also have the right, during business hours to examine the public accounts in any depository which has public funds in its custody pursuant to the laws of this state. The state examiner, deputy examiner or any field examiner, when engaged in making any examination of any office, officer, board or institution, or any other examination authorized by this act, may issue subpoenas for witnesses to appear before him in person or to produce books and papers before him for inspection and examination. They shall have the authority to administer oaths and to examine such witnesses under oath orally or by interrogatories propounded touching the matters under investigation and examination, and under authority of the state examiner, such oral examination may be taken in shorthand and transcribed, and the reasonable expense thereof shall be paid by the municipality in the same manner as the compensation of the field examiner is paid. Such subpoenas shall be served by any person authorized to serve civil process from any court in this state. In case any witness duly subpoenaed refuses to attend, or refuses to produce documents, books and papers as required in such subpoena, or shall attend and refuse to make oath or affirmation, or being sworn or affirmed, shall refuse to testify when called upon so to do, then such person shall be by such examiner reported to the prosecuting attorney of the county or judicial district where the offense is committed for proceedings by that officer under section 504 of an act entitled "An act concerning public offenses," approved March 10,

1905, and such examiner may apply to the circuit court having jurisdiction thereof for the enforcement of attendance and answers to questions as provided by law in the matter of taking depositions. Wilful false swearing in such examination shall be perjury and shall be punishable as such. A report of such examination shall be made; signed and verified in duplicate by the officer making the examination, one copy to be filed with the state examiner, one copy to be filed with the officer or institution examined, and one copy to be filed with the auditing department of the municipality examined and reported upon. If any such examination discloses malfeasance, misfeasance or non-feasance in office on the part of any officer or employe, an additional copy of such report shall be so made, signed and verified, and it shall be the duty of the state examiner to place such report with the governor, and the governor shall transmit the same to the attorney general and the attorney general shall institute and prosecute such civil proceedings against such delinquent officer, or upon his official bond or both, as will carry into effect the findings resulting from such examination and secure to the proper municipality the recovery of any funds misappropriated. Any such report as is described in this section or a copy thereof duly certified by the state examiner shall be taken and received in any and all the courts of this state, as evidence of the facts in such reports stated and contained. It shall be unlawful for any deputy examiner or field examiner to make any disclosure of the result of any examination of any public account excepting as he shall make the same to the state examiner, or as he shall be directed to give publicity to any such matter by the state examiner, or by any court.

Failure to Report—Penalty.

SEC. 10. Any public officer who shall fail or neglect to make, verify and file with the state examiner any such report as is required by this act, or who shall fail or neglect to follow the directions of the state examiner in keeping the accounts of his office, or who shall refuse the state examiner, deputy examiner or field examiner access to the books, accounts, papers, documents or cash drawer or cash of his office, or who shall in any way interfere with such examiners in the discharge of their official duties shall be guilty

of a misdemeanor and shall be fined not less than one hundred dollars nor more than one thousand dollars, and shall forfeit and be removed from his office in the manner now or hereafter provided by law.

Fee Records—Fee and Salary Book—Open to Public.

SEC. 11 There shall be kept in the office of each public officer, board, commission and institution in this state, a record of fees collected for the public treasury, and in addition a separate fee and salary book, both of which shall at all times be subject to public inspection, the forms for which, for each class of offices, shall be devised and formulated by the governor, auditor and state examiner provided in this act. It shall be the duty of all public officers in this state, all boards, commissioners, commissions, superintendents of institutions, constables, justices of the peace, town and city marshals and mayors, city judges and mayors who act as city judges, and all other persons who collect fees for their services or as otherwise provided by law or in the course of their official duty, to keep a complete record of all such fees collected from any and every source whatever, and such officers and persons shall keep a separate record of all such fees as are payable into the public treasury, and a separate record showing all fees and salaries received by any officer or person, and it shall be the duty of all such officers who employ deputies, assistants, clerks, stenographers or other employes who receive a salary, fees from any source whatever, or other compensation, paid with public funds, to enter in such fee and salary book the names of all such officers and persons, including himself, as receive any such compensation, and the amount thereof, from time to time, as the same accrues, and to show upon each book the particulars of each item and from whom and on what account the same accrues and when the same was paid to the officer or other person, and by whom paid. The intention and purpose of this section is declared to be that such book shall contain separately the items and totals of all sums collected for the benefit of the public treasury and of all sums received by the respective persons for all services rendered and which accrues to them respectively on account of their exercising the duties of such position so held by them respectively, and that this section shall be construed to apply

to all state officers, state institutions, state commissioners or commissions, and to all county, city, town, township and school officers in this state. Such records as are provided for in this section shall be public records and shall always be accessible to the public.

Fines or Forfeitures—Record Book—Reports—Penalty.

SEC. 12. It shall also be the duty of any officer who collects or receives fines or forfeitures belonging to the State of Indiana, to keep in a separate book a record of all sums received from such fines and forfeitures, the amount of each and from whom and when received. It shall be the duty of the clerk of every court possessing criminal jurisdiction, and of every justice of the peace, mayor or city judge who assesses fines, to make report forthwith to the auditor of state of any and all fines assessed in such courts or by such justices of the peace, mayors or city judges for violation of the criminal statutes of the State of Indiana, and upon payment of any such fines forthwith to report such payment to the auditor of state, and it shall be the duty of such officers immediately upon the occurrence thereof, to report to the auditor of state the forfeiture of all bonds and recognizances in which the principals have defaulted, and for the purpose of making such report a forfeiture shall be deemed to have occurred whenever and as soon as the principal in said bond or recognizance shall have defaulted therein, and upon payment of any such forfeiture the same shall be by such officer reported forthwith to the auditor of state, and it shall be the duty of the auditor of state to keep an account of all such fines and forfeitures and payments thereof and to charge such officers therewith as debtors to the common school fund immediately upon the report of payment thereof. The examination in this act provided for shall extend to the offices of justice of the peace and all mayors and city judges who collect and receive such fines and forfeitures. The expense of such examinations shall be paid for by the township in and for which such person is justice of the peace, or by the city or town for which such person is mayor or judge, as the case may be, and as provided in section 14 of this act. Any public officer who shall violate any of the provisions of sections 11 and 12 of this act or fails to comply therewith shall be guilty of a misdemeanor,

and upon conviction thereof shall be fined not less than one hundred dollars nor more than five hundred dollars, and shall forfeit and be removed from his office as now or hereafter provided by law.

Audit of Bills—Warrant—Quietus.

SEC. 13. It shall be the duty of every officer having authority to draw the warrant of the state or of any municipality referred to in this act in disbursing its funds, or who has authority to execute the receipt and quietus of the state or of such municipality in settlement with public officers or with debtors, before presenting the same for allowance to the board or other authority required to pass upon the same, to make an examination of all claims as to their form, the authentication thereof as required by law, whether they are based upon contract or statutory authority, and as to their apparent correctness, and upon presenting the same to file therewith his certificate in writing as to such matters in respect to each and all of such claims; and where the authority to pass upon and allow such claim is lodged in such officer, he shall, before drawing a warrant therefor, certify to the correctness thereof over his official signature, and it shall be his duty before issuing the receipt or quietus of the state or municipality to any debtor or any officer making settlement with the state or municipality to examine the report, account or settlement sheet upon which settlement is made, and to require of such debtor or officer, or to otherwise secure all such information, accounts, vouchers or exhibits as shall be necessary to satisfy such officer issuing such receipt or quietus of the correctness of such report, account or settlement sheet, and to certify thereon that he has made such examination and is satisfied as to its correctness, and no such warrant or quietus shall be issued by any such officer until such certificate shall have been executed and filed with such claim, report, account or settlement sheet.

Expense of Examinations—How Paid.

SEC. 14. The expense of examination and investigation of public accounts, provided for herein, shall be paid by each municipality for the examination and investigation of its accounts, including those of its public service industries,

and when any field examiner shall file with the state examiner his voucher in form prescribed by law relating to state expenditures, the state examiner, if he approve the same, is hereby authorized and empowered to certify the expense of such examination and investigation to the auditor of the county in which such municipality is situate, who shall forthwith and without any appropriation being made therefor, issue his warrant for the amount stated in such certificate on the county treasurer, payable to the person named in such certificate, out of the general fund of the county, said fund, except as to expense for examining and investigating the financial affairs of the county and its offices and officers, to be reimbursed by the county auditor out of the moneys due such municipality at the next semi-annual settlement of the collection of taxes, in case of school corporations the same to be deducted from the special school fund. In the event the county to whom such claim may be made shall not have possession or collection of funds due or to be due to any municipality the affairs of which are examined, then such certificates shall be filed with, and such warrant shall be drawn by the disbursing officer of such municipality having authority to draw warrants upon its funds, and said warrant shall be paid forthwith without any appropriation being made therefor. In case it shall be necessary to employ such field examiners in the investigation of state offices or state institutions then such certificate of expense shall be made to the auditor of the State of Indiana, who shall draw the warrant of the state to cover the same, which warrant shall be paid out of funds not otherwise appropriated.

Traveling Expenses.

SEC. 15. The necessary traveling expenses of the state examiner and his deputies when engaged in the business of the state, shall, when approved by the governor and duly itemized and accompanied with vouchers, as required by the law relating to state expenditures, be paid out of moneys not otherwise appropriated.

Bonds Required.

SEC. 16. The officers provided for by this act shall each give bond for the faithful performance of his duties, as follows: The state examiner in the sum of five thousand dol-

lars, to be approved by the governor; each deputy examiner in the sum of three thousand dollars, to be approved by the governor; and each field examiner in the sum of one thousand dollars, to be approved by the state examiner.

Definitions.

SEC. 17. The term "municipality," as used in this act, shall be construed to extend to, include and mean any county, township, city, town, school town, school township, or school city in this state. The term "public office," as used in this act, shall be construed to extend to, include and mean the office of any and every person who for or on behalf of the state or any municipality or any public service industry, holds, receives, disburses or keeps the accounts of the receipts and disbursements of any public funds. The term "public officer," as used in this act, shall be construed to extend to, include and mean any person who holds, receives, disburses or is required by law to keep any account of public funds. The term "public institution," as used in this act, shall be construed to extend to, include and mean any institution or public service industry maintained in whole or in part at public expense or supported in whole or in part by appropriations or public funds or by taxation. The term "public service industries," as used in this act, shall be construed to extend to, include and mean any and all public service industries owned either directly by the municipality or to the support of which the municipality contributes from public funds, or the capital stock of which the municipality may be the owner of any part, or the bonds of which may be owned or guaranteed by the municipality.

Bribe—Offer or Acceptance—Penalty.

SEC. 18. If any person shall give or offer to any state examiner, deputy examiner, field examiner, clerk or other employe of the department of inspection and supervision of public offices, any money, gift, emolument, compensation or thing of value in order to influence the action of such examiner or other person in any matter pending in said department or in the matter of the examination of any public account, or for the purpose of preventing or delaying the examination of any public account or for the purpose of influencing the action of such examiner or other person in

framing, changing, withholding or delaying any report of any examination of any public account, he shall, upon conviction thereof, be fined in any sum not more than five thousand dollars or shall be imprisoned in the state prison for not less than one year nor more than fourteen years, or both, and any state examiner, deputy examiner, field examiner, clerk or other employe of the department of inspection and supervision of public offices who shall receive or solicit any money, gift, emolument, compensation or thing of value for the purpose of being influenced in any matter pending in said department or in the matter of the examination of any public account, or for the purpose of being influenced to prevent or delay the examination of any public account or for the purpose of being influenced to change, delay or withhold any report of the examination of any public account, shall, upon conviction thereof, be fined in any sum not more than five thousand dollars, or shall be imprisoned in the state prison for not less than one year nor more than fourteen years, or both. For the purpose of this section the term "public account" shall be construed to extend to, include and mean any account, the examination of which is provided for in this act.

Examinations Without Notice—Penalty.

SEC. 19. All examinations provided for in this act or made under or pursuant to the provisions of this act shall be made without notice to the officers whose accounts are to be examined, and without notice to any clerk, deputy, employe or other person employed in or connected with the office or the business of such officer, and any person who shall give or cause to be given directly or indirectly any notice or knowledge of any proposed examination of any public account to the officer in charge of such account or to any other person other than as such notice or knowledge shall be communicated as between the state examiner, deputy examiners and field examiners, shall, upon conviction thereof, be fined in any sum not exceeding five hundred dollars, or shall be imprisoned in the county jail for not less than six months, or both.

Books, Records and Forms.

SEC. 20. No system for uniform bookkeeping or any book, record or form which may hereafter be adopted shall be copyrighted unless it shall be deemed expedient by the governor that a copyright be procured in the name of the state; and, if any such copyright be procured, the acceptance by the state or by any municipality of any bid for printed supplies of any sort shall operate as a license from the state to the successful bidder to manufacture any such copyrighted books, records or forms included in such bid for public use without payment of royalty. All public books, records and stationery used in the offices for which examination is provided in this act, shall be purchased by the state, municipality or institution after the manner now provided by law.

When Act in Effect.

SEC. 21. The uniform system of accounting and reporting and inspection provided therefor shall be installed as far as possible in all the offices referred to in this act, at the beginning of the next fiscal year of the municipality subsequent to the taking effect of this act. The examination provided for in this act under authority of the state examiner shall not extend back more than one year prior to the beginning of such fiscal year except on authority of the governor.

Officers—Duties as to Books, Etc.—Penalty.

SEC. 22. It is hereby made the duty of the various officers of the state and its institutions and municipalities to adopt and use the books, forms, records and systems of accounting and reporting that shall be adopted by the board of accounts, when directed so to do by said board, and all forms, books, and records necessary thereto shall be purchased by said officers and in the manner now provided by law. Any officer or person who shall refuse to provide such books, forms, or records, or who shall fail or refuse to use them, or who shall fail or refuse to keep the accounts of his office as directed by said board as provided herein, shall be guilty of a misdemeanor, and upon conviction shall be fined not less than one hundred (\$100) dollars and removed from such office.

Repeal.

SEC. 23. All laws and parts of laws in conflict with this act are hereby repealed to the extent of such conflict; provided, that the provisions of this act shall not be construed to relieve any officer of any duties now required by law of him with relation to the auditing of public accounts or the disbursement of public funds, but the provisions of this act shall be construed to be supplemental to all existing provisions of law safe-guarding the care and disbursement of public funds: *And, provided further,* That the provisions of this act shall not be construed to limit or curtail the power of the governor of the state, under existing laws, to make examination or investigation of any public office or to require reports therefrom.

